



State of Washington
Department of Revenue

Excise Tax Advisory

Excise Tax Advisories (ETA) are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. ETAs explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

NUMBER: 155.04.136 **REPEALED 6/30/99**

CONVERSION DATE: July 1, 1998

THE MANUFACTURING TAX EXEMPTION FOR PRODUCTS SOLD AT WHOLESALE WITHIN THE STATE

Issued August 19, 1966

Is the manufacture of paperboard in Washington exempt from taxation to the extent that folding cartons are manufactured out of the paperboard at an out-of-state plant of the taxpayer, and sold at wholesale within Washington?

The taxpayer manufactured paperboard at a Washington plant. The paperboard was shipped out of state where it was fashioned into cartons. The taxpayer then sold the cartons at wholesale to Washington purchasers. The "Manufacturing" Tax was applied to the taxpayer's activity of manufacturing paperboard within the state. The "Wholesaling" Tax was also levied on the wholesaling of cartons within Washington. The taxpayer contended that taxing both the manufacturing and wholesaling performed in Washington deprived it of the exemption from "Manufacturing" Tax where the taxpayer also makes wholesale sales, within the state, of products manufactured in the state.

RCW 82.04.440 provides that persons taxable under the Wholesaling classification of the Business and Occupation Tax are exempt from taxation under the Manufacturing classification with respect to products manufactured and sold.

The Commission held that the manufacturing activities in converting the paperboard into cartons at a point outside the state resulted in new and different articles being produced. The products sold at wholesale, the cartons, were not the same products which were manufactured in Washington. Therefore, as the products manufactured in Washington were not sold at wholesale within the state, the statutory ground for exemption was not fulfilled.

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

To inquire about the availability of receiving this document in an alternate format for the visually impaired or language other than English, please call (360)753-3217. Teletype (TTY) users please call 1-800-451-7985.

Please direct comments to:
Department of Revenue
Legislation & Policy Division
P O Box 47467
Olympia, Washington 98504-7467
(360) 753-4161 eta@DOR.wa.gov